

**CORPORATE GOVERNANCE REFORMS IN THE  
PHILIPPINES:  
AN ETHNOGRAPHIC APPROACH**

by

**MARIE JESSA MARTIN DELA RAMA**

Submitted in fulfilment of the requirements of the degree of the  
Doctor of Philosophy

February 2011

School of Management

UNIVERSITY OF TECHNOLOGY, SYDNEY

## **CERTIFICATE OF AUTHORSHIP AND ORIGINALITY**

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

---

Signature

## **DEDICATION**

To the Philippines – may she rediscover her worth.

## ACKNOWLEDGMENTS

This thesis would not have been completed with the support of many people from different organisations.

Firstly, I would like to thank my long-suffering supervisor, Professor Thomas Clarke, Director of the Centre for Corporate Governance at the University of Technology Sydney. Thank you, Thomas.

Secondly, I would like to thank the Australian Government's Department of Education through its Endeavour Research Fellowship Program for funding my field research in the Philippines and the Institute of Philippine Culture at the Ateneo de Manila University for hosting this researcher.

Thirdly, I would like to thank all my participants in this thesis and helpers along the way who have allowed this research to materialise. You know who you are. To the English speakers: my profound gratitude. To the Tagalog speakers: my *utang na loob* to you all.

Finally, I would like to thank my family, friends and colleagues. Thank you, thank you and thank you.

## TABLE OF CONTENTS

<b>CERTIFICATE OF AUTHORSHIP AND ORIGINALITY.....</b>	<b>ii</b>
<b>DEDICATION .....</b>	<b>iii</b>
<b>ACKNOWLEDGMENTS.....</b>	<b>iv</b>
<b>LIST OF EXHIBITS .....</b>	<b>xii</b>
<b>LIST OF FIGURES .....</b>	<b>xii</b>
<b>LIST OF TABLES .....</b>	<b>xiii</b>
<b>LIST OF TEXT BOXES.....</b>	<b>xiv</b>
<b>ABSTRACT .....</b>	<b>xv</b>
<b>CHAPTER 1: INTRODUCTION AND SUMMARY .....</b>	<b>1</b>
<b>CHAPTER 2: LITERATURE REVIEW .....</b>	<b>6</b>
2.1: Introducing Reforms .....	8
2.1.1 Economic Sociology View of this Research .....	8
2.1.2 Defining Corporate Governance .....	8
2.1.3 Current Preoccupation with Corporate Governance.....	9
2.1.3.1 East Asian Crisis .....	10
2.1.3.2 Enron and US Corporate Crisis of 2001-02 .....	12
2.1.3.3 Europe's Parmalat: The Collapse of a Family Business.....	13
2.1.3.4 Global Financial Crisis 2008-2009.....	14
2.1.4 Cycles of Crisis and Reform .....	14
2.1.5 Corporate Governance Models around the World .....	15
2.1.5.1 Anglo-Saxon or Anglo-American .....	16
2.1.5.2 Germanic.....	16
2.1.5.3 Japanese.....	16
2.1.5.4 Latin .....	17
2.1.5.5 East Asian .....	17
2.1.6 Corporate Governance Reforms: OECD Principles of Corporate Governance.....	17
2.1.6.1 Criticisms of the Principles .....	20
2.1.7 Convergence Theory and Varieties of Capitalism .....	22
2.1.7.1 Cross-Listings as a Sign of Convergence? .....	24
2.1.8 Institutional Theory.....	26
2.1.8.1 Building Corporate Governance Institutions .....	29
2.1.8.2 Institutions and Economic Development.....	31
2.1.9 Resource Dependence Theory .....	33
2.1.10 Politicised Institutions .....	34
2.2 Corporate Governance Theories of the Firm .....	36
2.2.1 Agency Theory .....	36
2.2.1.1 Limitations of Agency Theory in Developing Countries .....	38
2.2.2 Stakeholder Theory .....	40
2.2.2.1 Stakeholder Theory in Asia.....	43
2.2.2.2 Pension Funds as Important Stakeholders .....	45
2.2.3 Resource-Based View of the Firm.....	48
2.3 Boards .....	50
2.3.1 The Chairman-CEO Relationship .....	50
2.3.2 Board Composition and Independent Directors .....	51
2.3.3 Board Committees.....	51
2.3.3.1 Audit Committee .....	52
2.3.3.2 Risk Management Committee .....	54
2.3.3.3 Nominations Committee.....	54
2.3.3.4 Executive Committee .....	54
2.4 Business Groups.....	55
2.4.1 Concentration of Ownership.....	55
2.4.2 Relationship with the State .....	56

2.4.3 Concentration of Control and the Holding Company .....	59
2.4.4 Central Role of Banks .....	61
2.5 The Family Business and the Business Family .....	62
2.5.1 Owners in Management .....	62
2.5.2 Importance of Family Values .....	63
2.5.3 Sentimental Value of Ownership .....	64
2.5.4 Succession in Family Businesses .....	65
2.5.5 Family Council .....	66
2.5.6 Financing .....	66
2.5.7 Professionalisation and Professional Management .....	68
2.6 Culture .....	69
2.6.1 Power Distance .....	69
2.6.2 Low Uncertainty Avoidance .....	70
2.6.3 Collectivist .....	71
2.6.4 Masculine .....	71
2.6.5 Hofstede's Indices in the Philippines .....	72
2.6.6 Conflict Avoidance – An Additional Cultural Element .....	73
2.7 Corruption .....	75
2.7.1 Unpredictability .....	77
2.7.2 Low-level Opportunistic Pay-Offs .....	78
2.7.3 Grand or Systemic .....	80
2.7.3.1 Judicial Corruption: Les Cahiers de Doléances .....	82
2.7.3.2 Elections .....	83
2.7.3.3 Bidding for Government Contracts .....	84
2.7.4 Effect on Poverty and Corporate Governance .....	85
<b>CHAPTER 3: METHODOLOGY .....</b>	<b>88</b>
3.1 Previous Research .....	88
3.2 Contribution of this Research .....	89
3.3 Research Question .....	90
3.4 Research Design .....	91
3.5 Hypotheses Development and Testing .....	95
3.6 Data Collection .....	100
3.6.1 Interviews .....	100
3.6.1.1 Pre-Departure .....	101
3.6.1.2 Ethical Clearance and Funding of the Field Work .....	102
3.6.1.3 Collecting the Sample In-Situ .....	103
3.6.1.4 Interviewees .....	104
3.6.1.5 The Art of Networking .....	105
3.6.1.6 The Informal Setting .....	106
3.6.1.7 Foreign Companies .....	106
3.6.1.8 Why am I doing this research on the Philippines? .....	107
3.6.1.9 Access .....	108
3.6.1.10 Snowball Effect – The Referral System .....	111
3.6.1.11 Notable Non-Interviewees .....	111
3.6.2 Media Articles and Other Text .....	114
3.6.3 Participant Observation .....	115
3.7 Data Analysis .....	116
3.7.1 Node Saturation in NVivo .....	118
3.7.2 Most Common Nodes .....	122
3.7.3 Coding and Analysing Media Articles .....	125
3.7.4 Funnelling: From Analysing the Data to Structuring a Chapter .....	129
3.8 Writing up the Research Findings .....	131
<b>CHAPTER 4: BUSINESS AND CORPORATE GOVERNANCE ENVIRONMENT .....</b>	<b>133</b>
4.1 Culture .....	134
4.1.1 Analysing Culture Nodes in NVivo .....	134
4.1.2 Insularity and Elitism .....	136

4.1.3 Family .....	140
4.1.4 Ethnicity .....	143
4.1.4.1 Filipino-Chinese.....	143
4.1.4.2 Identity over Ethnicity.....	147
4.1.4.3 Other Ethnic Groups .....	148
4.1.5 Conflict Avoidance.....	150
4.1.6 Collectivism .....	154
4.1.7 Masculine .....	157
4.1.8 Concluding Remarks on Culture.....	157
4.2 Political Environment.....	158
4.2.1 A Challenging Environment.....	159
4.2.2 Politicised Regulation.....	161
4.2.3 Politically-Connected Firms.....	162
4.2.4 Calls for Public Sector Governance .....	165
4.2.5 Role of Government.....	168
4.2.6 The Philippine Oligarchy: Political Dynasties .....	171
4.2.7 Democracy or Dictatorship? .....	174
4.3 Background to Corporate Governance Reforms .....	178
4.3.1 Impact of East Asian Crisis (1997).....	179
4.3.2 OECD Principles of Corporate Governance (1999) .....	181
4.3.3 Enron's Collapse (2001).....	181
4.3.3.1 Impact of Collapse .....	184
4.3.4 US Sarbanes-Oxley Act (2002).....	187
4.3.5 The SEC and the Introduction of Corporate Governance.....	189
4.3.6 Cycle of Crisis and Reform.....	192
4.4 Introducing Corporate Governance Reforms and Institutional Theory.....	193
4.4.1 International Financial Institutions and Introducing Corporate Governance.....	194
4.4.2 The Report on Observation of Standards and Codes (ROSC) and Coercive Isomorphism.....	197
4.4.3 Ramifications of the ROSC Assessment .....	199
4.4.4 Mimetic Isomorphism and Global Corporate Governance Convergence? .....	201
4.4.5 Other International Standards.....	203
4.4.6 Summary of Corporate Governance's Introduction .....	205
4.4.7 Locally Adapting Corporate Governance Reforms.....	207
4.4.8 Corporate Governance Challenges.....	209
4.5 Dr. Jesus Estanislao and the Institute of Corporate Directors .....	212
4.5.1 ICD Scorecards.....	216
4.5.2 ICD and the Public Sector.....	218
4.5.3 ICD and the Future of Philippine Corporate Governance.....	219
4.6 Closing Remarks.....	220
<b>CHAPTER 5: THE REGULATORS .....</b>	<b>222</b>
5.1 The Importance of Strong Regulatory Institutions and Enforcement.....	222
5.1.1 Harmonisation in Enforcement.....	226
5.1.2 Resource Constraints .....	227
5.1.3 Public-Private Sector Dialogue .....	229
5.1.3 Corporate Governance Regulation in the Philippines .....	230
5.2 Central Bank of the Philippines .....	232
5.2.1 Independence and Autonomy of the BSP .....	233
5.2.2 The BSP under the Marcos dictatorship and Hutchcroft's Booty Capitalism.....	234
5.2.3 A Better-Resourced Regulator .....	236
5.2.4 Crisis and Reform.....	237
5.2.5 The Rural Banks .....	240
5.2.6 Introducing Corporate Governance to the Banking Industry.....	241
5.2.7 The ICD and Professional Director Training .....	244
5.2.8 Basel II Standards.....	247
5.2.9 BSP and Currency Circulation.....	249
5.3 Securities and Exchange Commission .....	249
5.3.1 SEC Corporate Governance Code of 2002.....	250
5.3.2 Corporate Governance Manual.....	253

5.3.3 Disclosure.....	254
5.3.4 Monitoring Companies: The Pre-Need Industry.....	256
5.3.5 Oversight of PSE.....	259
5.3.6 Resource Issues affecting Monitoring.....	260
5.3.6.1 Coordinating the IT infrastructure.....	262
5.3.6.2 Attracting the Best and Brightest.....	263
5.3.7 Private Sector Opinion.....	264
5.3.8 Future of Corporate Governance Reforms.....	266
5.4 Philippine Stock Exchange.....	268
5.4.1 History.....	268
5.4.2 Trading Floors.....	269
5.4.3 Trading Hours.....	271
5.4.3.1 Impact of Trading Hours on Companies.....	274
5.4.3.2 Importance of Golf.....	275
5.4.4 Demutualisation, Professionalisation and Ownership Issues.....	276
5.4.5 PSE Corporate Governance Guidelines.....	278
5.4.6 The Old Boys' Club – The Brokers.....	280
5.4.7 External Pressures to Reform.....	284
5.4.7.1 Reaction to Reforms.....	285
5.4.8 A Small Market.....	287
5.4.9 Insider Trading.....	288
5.4.10 Improvements in Enforcement.....	291
5.4.11 Dialogue, Transparency and Resources.....	292
5.4.12 Decoupling and the Future.....	293
5.5 The Insurance Commission.....	295
5.5.1 Insurance Industry.....	296
5.5.1.1 Life Insurance.....	297
5.5.1.2 Non-Life Insurance.....	298
5.5.1.3 Health Maintenance Organisations.....	299
5.5.1.4 Fraudulent Claims.....	301
5.5.2 Corporate Governance Reforms in the Insurance Industry.....	302
5.5.3 The Ousting of the Insurance Commissioner.....	304
5.5.4 AIG and the Effect of the Global Financial Crisis on the Insurance Industry.....	309
5.5.5 The Future of the Industry?.....	312
<b>CHAPTER 6: BUSINESS GROUPS - THE OWNERS OF COMPANIES .....</b>	<b>314</b>
6.1 Dominance of Business Groups.....	315
6.1.1 Downsides to this Dominance.....	318
6.2 A Matter of Ownership: Inapplicability of Agency Theory.....	319
6.3 The Holding Company.....	321
6.3.1 Ownership Complexity: A Web of Companies.....	323
6.4 Business Groups and the Predatory State –Effects of Marcos' Dictatorship.....	328
6.4.1 Managing Political Risk.....	329
6.4.2 The Legacy of the Dictatorship.....	330
6.4.3 Makati Business Club.....	330
6.4.4 Contribution to Resource Theories.....	331
6.5 Financing.....	332
6.5.1 The Banking Industry.....	333
6.5.2 Business Groups and the Central Role of Banks.....	334
6.5.3 Bank Finance vs. Capital-Market Financing.....	335
6.5.4 Going to Market: Listing the Businesses.....	339
6.5.4.1 Barriers to Listing.....	339
6.5.4.2 Motivations for Listing.....	341
6.5.4.3 Partial Listing.....	347
6.5.4.4 Multiple Listings of Assets.....	349
6.5.4.5 Related Party Transactions.....	352
6.5.4.6 Overseas Listing.....	354
6.5.5 Unlisted Companies.....	356
6.5.6 Listing and Corporate Governance.....	357



6.6 Business Groups and Portfolio Investment Strategy.....	358
6.6.1 Competition in the Property Sector .....	360
6.6.1.1 Challenges in the Property Sector.....	363
6.6.2 Competition and Participation in Other Sectors .....	365
6.6.2.1 Business Process Outsourcing (BPO) .....	366
6.6.2.2 Resources: Mining and Biodiesel .....	367
6.6.2.3 Tourism .....	369
6.6.3 Privatisation .....	372
6.6.3.1 Case Study of a Privatisation: Manila Water .....	372
6.7 Unaffiliated Business Groups.....	374
6.8 Relationship with Minority Shareholders.....	376
6.8.1 Minority Shareholder Population .....	376
6.8.2 Rights of Shareholders.....	378
6.8.2.1 Annual General Meetings or AGMs .....	380
6.8.2.2 Communicating with Shareholders .....	382
6.8.2.3 Dividends .....	385
6.8.3 Shareholder Value.....	388
6.8.4 Minority Shareholder Protection .....	389
6.8.5 Rewarding Minority Shareholder Protection .....	391
6.8.6 Minority Shareholder Activism .....	392
6.8.7 Minority Shareholders Association.....	393
6.8.8 Foreign Investors.....	395
6.8.8.1 Blue Chip Companies .....	396
6.8.8.2 Foreign Investors in the PSE .....	397
6.8.8.3 Foreign Investors and Corporate Governance .....	399
6.8.8.4 Communication with Foreign Investors .....	401
6.9 Stakeholders .....	403
6.9.1 Primary Stakeholders .....	403
6.9.2 Secondary Stakeholders .....	404
6.10 Effects of ASEAN membership.....	406
6.10.1 A Single Currency?.....	408
6.10.2 The Bridge Alliance: Telecommunications Cooperation in the ASEAN countries .....	409
6.10.3 A New Group of Entrepreneurs: Korean Investment in the Philippines.....	411
6.10.4 Deterring Foreign Investment .....	413
6.10.5 Foreign Ownership Controls .....	414
6.10.6 Improving the Pool of Domestic Investors .....	417
6.11 Rise of China.....	418
6.11.1 Business Groups in China .....	419
6.11.2 As Part of the Chinese Supply Chain.....	422
6.11.3 Corporate Governance and China .....	425
6.11.4 China and ASEAN.....	429
6.12 Family Values.....	432
6.12.1 Sentimental Value in Family Ownership.....	434
6.12.2 Succession Planning.....	438
6.12.3 Generational Issues.....	440
<b>CHAPTER 7: THE BOARD AND MANAGEMENT – CONTROLLERS OF THE COMPANY.....</b>	<b>446</b>
7.1 Board Structure.....	447
7.2 CEO .....	448
7.3 The Chair.....	450
7.3.1 CEO Duality or Chairman-CEO Combination .....	453
7.3.2 Chairman-CEO Separation.....	455
7.4 Independent Directors .....	457
7.4.1 Independent Directors Legally Defined.....	459
7.4.2 Concept of the Independent Director.....	461
7.4.3 Welcoming Independent Directors.....	463
7.4.4 Independent Directors in the Ayala Group.....	464

7.4.5 Ambivalence Towards Independence Directors.....	466
7.4.6 Pool of Independent Directors .....	468
7.4.7 Number of Directorships.....	472
7.4.8 Reputation of Independent Directors.....	473
7.4.9 Value of Independent Directors .....	474
7.4.10 Independence of Independent Directors .....	475
7.4.11 Independent Directors as a threat .....	478
7.4.12 The Future for Independent Director Reform?.....	480
7.5 Executive Directors.....	484
7.6 Foreign Directors.....	486
7.7 The Board Committees.....	487
7.7.1 Audit Committee .....	490
7.7.1.1 Audit Committee Membership.....	491
7.7.1.2 Internal Auditors.....	494
7.7.1.3 External Auditors.....	495
7.7.1.4 The Big 4 .....	496
7.7.2 Risk Management Committee .....	498
7.7.3 Nominations Committee.....	501
7.7.4 Executive Committee.....	504
7.7.5 Other Board Committees.....	505
7.8 Culture and Conduct of Board Meetings .....	506
7.8.1 Board Culture in Contrast .....	510
7.9 Professional Management.....	512
7.9.1 Professionalisation and Corporate Governance.....	516
7.9.2 Value of Professional Managers.....	517
7.9.3 Professional Managers and Working Family Members.....	518
7.10 Director Education and Training.....	520
7.10.1 SMEs and Director Education.....	521
7.11 Other Decision-Making Bodies.....	524
7.11.1 Family Council .....	524
7.11.2 Family Board .....	526
7.11.3 Advisory Board .....	528
7.12 Closing Remarks .....	531
<b>CHAPTER 8: GOVERNMENT FINANCIAL INSTITUTIONS.....</b>	<b>532</b>
8.1 Development Bank of the Philippines .....	533
8.1.1 Descent into Hell: DBP under Marcos.....	533
8.1.2 Rehabilitation under Estanislao.....	536
8.1.3 Introducing Corporate Governance in the DBP .....	538
8.1.4 DBP Board Committees.....	539
8.2 Government Service Insurance System.....	542
8.2.1 Corporate Governance and Financial Reporting.....	543
8.2.2 Views of GSIS .....	545
8.2.3 GSIS' President and General Manager (PGM), Winston Garcia .....	545
8.3 Social Security System .....	546
8.3.1 Corporate Governance at SSS.....	548
8.4 Amalgamating GSIS and SSS? .....	550
8.5 Investment Portfolio and Strategy of the Funds.....	552
8.5.1 Actuarial Life .....	556
8.6 Capital Market Participation by GSIS and SSS .....	558
8.6.1 Capital Market Investments .....	559
8.6.2 Socially Responsible Investments .....	560
8.6.3 Nationalism, Parochialism and Global Investments .....	562
8.7 GSIS' Search for a Global Fund Manager .....	564
8.7.1 GSIS, the Global Fund and the Global Financial Crisis.....	566
8.7.2 International Investment Experience of Other Pension Funds.....	568
8.8 Politicisation of the Pension Funds: The Equitable PCI episode .....	568

8.9 Institutional Investor Influence and Leverage.....	574
8.9.1 Institutional Investor Activism on the Equitable PCI Board.....	576
8.10 Public Sector Boards.....	578
8.10.1 Presidential Appointments .....	578
8.10.2 Board Members .....	581
8.10.3 Removal of Board Members .....	583
8.10.4 Views on the Presidential Appointment System.....	585
8.10.5 Board-Management Issues.....	587
8.10.6 Public Sector Board Remuneration.....	588
8.11 Closing Remarks.....	590
<b>CHAPTER 9: CORRUPTION.....</b>	<b>592</b>
9.1 Types of Corruption .....	593
9.2 Corruption in East Asia.....	594
9.3. Low-level Opportunistic Pay-Offs .....	595
9.3.1 Scarce Public Benefits.....	595
9.3.2 Lack of Monitoring of Benefits to the Qualified and Unqualified .....	596
9.3.3 Delays in the Bureaucratic Process or Queues.....	596
9.3.4 Costs of Government Programs.....	597
9.4 Grand or Systemic Corruption.....	599
9.4.1 The Revenue-Generating Agencies.....	599
9.4.1.1 The Finance Secretary, Gary Teves.....	600
9.4.1.2 Bureau of Customs.....	602
9.4.1.3 Bureau of Internal Revenue.....	604
9.4.1.4 Reforms in the Bureaux? .....	606
9.4.2 The Judiciary.....	607
9.4.2.1 The rule of law – or lack thereof .....	610
9.4.3 Elections.....	612
9.4.4 Bidding for Government Contracts .....	617
9.4.4.1 Ninoy Aquino International Airport (NAIA) Terminal 3.....	618
9.4.4.2 National Broadband Network (NBN).....	620
9.5 Gender Representation and Corruption .....	621
9.6 Corruption Discourages Investment.....	622
9.7 Corruption Attracts the Best of the Worst.....	624
9.8 Corruption Contributes to Poverty .....	631
9.9 Overseas Filipino Workers .....	632
9.9.1 Economic Impact of Remittances.....	634
9.9.2 The Brain Drain.....	637
9.9.3 Political Activism .....	639
9.10 Addressing Corruption: Leadership by Example .....	641
9.10.1 The Transformation of Colombia.....	641
9.10.2 Singapore’s Story .....	642
9.10.3 Paul Wolfowitz’s Departure from the World Bank .....	644
9.11 Countering Corruption.....	646
9.11.1 Non-Governmental Organisations .....	646
9.11.2 Media .....	648
9.11.3 Asian Development Bank.....	650
9.12 Corporate Governance and Corruption .....	652
<b>CHAPTER 10: CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>655</b>
10.1 Recommendations: Implications of the Research for Policy and Practice.....	656
10.2 Contributions to Knowledge.....	658
10.3 Limitation of this Research.....	660
10.4 Concluding Remarks.....	661
<b>APPENDIX 1: INTERVIEW QUESTIONNAIRE .....</b>	<b>662</b>
<b>APPENDIX 2: LIST OF ORGANISATIONS INTERVIEWED AND PARTICIPANTS.....</b>	<b>664</b>

<b>APPENDIX 3: EVENTS AND INFORMAL MEETINGS .....</b>	<b>665</b>
<b>APPENDIX 4: LIST OF MEDIA ARTICLES COLLECTED AND ANALYSED</b>	
<b>BY PUBLICATION .....</b>	<b>668</b>
Business Mirror .....	668
Business World .....	670
Manila Bulletin.....	671
Philippine Daily Inquirer.....	672
Philippine Star.....	674
<b>APPENDIX 5: SEC REQUIREMENTS FOR A COMPANY DIRECTOR AND</b>	
<b>AN INDEPENDENT DIRECTOR .....</b>	<b>675</b>
<b>APPENDIX 6: COMPARISON OF MANDATED FINANCIAL INSTRUMENTS,</b>	
<b>INVESTMENT FUNDS AND CEILINGS BETWEEN SSS AND GSIS.....</b>	<b>680</b>
<b>APPENDIX 7: PROPOSAL QUESTIONNAIRE AND PROPOSAL</b>	
<b>EVALUATION MATRIX FOR GSIS' GLOBAL FUND MANAGER .....</b>	<b>685</b>
<b>APPENDIX 8: LIST OF CORPORATE GOVERNANCE NODES IN NVIVO</b>	<b>688</b>
<b>APPENDIX 9: LIST OF CORRUPTION NODES IN NVIVO .....</b>	<b>690</b>
<b>BIBLIOGRAPHY .....</b>	<b>691</b>

## LIST OF EXHIBITS

Exhibit 1: Screenshot of NVivo program .....	117
Exhibit 2: Screenshot of Nodes Prior to Amalgamation.....	119
Exhibit 3: Screenshot of coding of raw interview data in NVivo .....	121
Exhibit 4: Screenshot of Media Folder, Number of Nodes and References.....	126
Exhibit 5: Screenshot of a coded media article.....	127
Exhibit 6: Screenshot of coding stripes in NVivo.....	129
Exhibit 7: Applicability of Basel II to Financial Groups (BIS 2009a:11) .....	248
Exhibit 8: Scan of PIRA advertisement in the Philippine Daily Inquirer, 8 June 2007, p.A17 .....	307
Exhibit 9: Philippine Tourism (2008) Ad: The Philippine Economy - Strong and Growing.....	371
Exhibit 10: Screenshot of Bridge Alliance <a href="http://www.bridgealliance.com/alliancemembers.html">http://www.bridgealliance.com/alliancemembers.html</a> accessed 12 December 2009 .....	410
Exhibit 11: Photo of Pampanga Governor Eddie Panlilio.....	615

## LIST OF FIGURES

Figure 1: Structure of the Thesis and Conceptual Framework of Philippine Corporate Governance... 4	4
Figure 2: Structure of Chapter 2 Literature Review and Relevance to Results Chapters..... 7	7
Figure 3: Different Varieties of Capitalism .....	23
Figure 4: Seven roles of internal family firm stakeholders (Sharma and Nordqvist 2008: 79) .....	63
Figure 5: Path of Social Acceptance adapted from Lapeña (2002) cited in Teehankee (2004: 225).... 75	75
Figure 6: Summary of low-level opportunistic payoffs (adapted from Rose-Ackerman 2008)..... 79	79
Figure 7: Grand or Systemic Corruption (adapted from Rose-Ackerman 2008) .....	81
Figure 8: Branch of the Public Sector is a Bribe-Generating Machine.....	83
Figure 9: Nominal Democracy may have a Corrupt Electoral System .....	83
Figure 10: Government Contracts allow Influence-Peddling for High-Level Politicians .....	84
Figure 11: Flowchart Combining Deductive and Inductive Methods of Inquiry.....	95
Figure 12: Testing three hypotheses .....	98
Figure 13: Three Sources of Data - The Qualitative Triangulated Method in Gear Motion .....	116
Figure 14: Main Node of Business Groups and its sub-sets .....	123

Figure 15: The Process of Funnelling and Synthesising the Nodes.....	130
Figure 16: Six Culture Elements in the Philippines .....	136
Figure 17: Dichotomy of Collectivism.....	155
Figure 18: Cycle of Corporate Governance Crises and Reforms.....	193
Figure 19: Institutional Isomorphism and Introduction of Corporate Governance Reforms.....	194
Figure 20: Extract of Summary of ROSC Observation in the Philippines (World Bank 2006:9).....	196
Figure 21: How corporate governance reforms were introduced into the Philippines .....	205
Figure 22: Introducing Corporate Governance Reforms into the Philippines - Steps 4 and 5 .....	223
Figure 23: Corporate Governance Regulators and Reforms in the Philippines .....	231
Figure 24: Domestic Market Capitalisation of Asia-Pacific Stock Exchanges (WFE 2009c: 84) .....	269
Figure 25: Ownership Structure of a Listed Holding Company .....	322
Figure 26: Hypothetical Structure of Effective Control in Cross-Shareholdings (Dumlao 2006: 40) .....	324
Figure 27: The Bank Finance Model of Borrower and Lender .....	335
Figure 28: Capital Market Model of Financing with a Variety of Stakeholders .....	336
Figure 29: Ownership Structure and the Listed Company.....	345
Figure 30: Shareholders of a Partially-Listed Company.....	348
Figure 31: Listed and Unlisted Subsidiaries of Two Filipino Business Groups in 2007.....	351
Figure 32: Business Group as an Investment Portfolio.....	359
Figure 33: Residential Property in a Business Group Portfolio.....	361
Figure 34: Family Ownership in Three Generations (Gersick et al 1997: 19) .....	441
Figure 35: Structure of a Typical Philippine Company Board .....	448
Figure 36: Ayala Corporation -Board of Directors (2009) and Family Council .....	466
Figure 37: Board Committees Mentioned by Respondents .....	489
Figure 38: SM Investment Corporation (2009) Board of Directors and Family Board.....	528
Figure 39: Abridged Version of Ward's Governing the Enterprise Family (2008b:104).....	530
Figure 40: Comparison of Investment Portfolio Mix between GSIS and SSS (2001).....	553
Figure 41: Investment Portfolio Mix of CPPIB (2008) .....	554
Figure 42: The SSS Stakeholder Board in 2007.....	581
Figure 43: Organisations under the umbrella of the Department of Finance .....	600
Figure 44: Influence on Tender Procedures (Transparency International 2007: 340) .....	630
Figure 45: Value of OFW Remittances from 2005 to 2008 (ADB 2008: 179) .....	634

## LIST OF TABLES

Table 1: Summary of Thesis .....	3
Table 2: Institutions for Building Markets (World Bank 2001) .....	30
Table 3: Contractual and Community Stakeholders (Clarke 1998: 187) .....	42
Table 4: Coverage Ratios of Pension Schemes (Ghosh 2006: 132) .....	47
Table 5: Assets of Institutional Investors in East Asia (Ghosh 2006:130).....	47
Table 6: Concentration of Family Control in East Asian Corporations (Claessens et al 2000: 108) ....	55
Table 7: Theoretical Perspectives on Business Group Development (adapted from Chung 2005) ....	57
Table 8: Four Manifestations of Emotional Ownership in Family Firms (Birley 1986: 36).....	64
Table 9: Hofstede's Cultural Dimensions in the Philippines.....	73
Table 10: Four Combinations of Power Distance and Uncertainty Avoidance (Hofstede 1984: 216)..	73
Table 11: Integrating Hofstede and Teehankee's Cultural Dimensions in the Philippines.....	75
Table 12: Summary of Research Methodology .....	88
Table 13: The Results Chapters, Relevant Theories, Deductive Hypotheses and Results .....	99
Table 14: Most Common Nodes Used in NVivo Data Analysis.....	122
Table 15: Family-related Nodes .....	124
Table 16: Nodes for One Line of Media Text in NVivo.....	127
Table 17: Business Culture vs. National Culture Nodes .....	135
Table 18: Insularity and Elitism .....	137
Table 19: Culture nodes relating to the family .....	141
Table 20: Main Business Family Ethnicities.....	143
Table 21: Elements of Conflict Avoidance .....	150
Table 22: Top 20 Most Frequently Used Words in Interview Data Generated from NVivo .....	154
Table 23: Elements of Masculine.....	157
Table 24: Asia-Pacific Stock Exchanges' General Share Trading Hours (Source: WFE 2009d).....	273

Table 25: Ten Guidelines for a Well-Governed Company (PSE 2009d: 6) .....	278
Table 26: Indicators of Concentration in the Insurance Sector (Ghosh 2006: 140) .....	297
Table 27: Top 25 Richest Individuals/Families in the Philippines in 2009 (Forbes 2009) .....	317
Table 28: The Top 10 Shareholders of BenPres as of March 31, 2007 .....	323
Table 29: PLDT's Stakeholders .....	405
Table 30: Selected Chronology from DBP (1997) Fifty Years of the DBP .....	534
Table 31: The DBP Family Credo (DBP 2009a) .....	536
Table 32: DBP Chart of Non-Board Committees (as at January 24th 2007) .....	540
Table 33: DBP Board Committees and Members (as at January 24th, 2007) .....	541
Table 34: Rationale for the merger between GSIS and SSS (World Bank 1995: 105) .....	551
Table 35: Activist investors press companies for improved performance (Useem 1998) .....	575
Table 36: Presidential Powers in the GSIS and SSS Acts .....	579
Table 37: Remuneration in the Government Sector and the Private Sector (Robertson 2009) .....	589
Table 38: The Philippine Judicial System (Transparency International 2007: 258) .....	608

## LIST OF TEXT BOXES

Text Box 1: A Foreign Investment Forum .....	32
Text Box 2: Excerpts from an email by an IFI corporate governance policy representative (2004) ..	198
Text Box 3: Irving Ackerman, Stockbroker .....	282
Text Box 4: Listing - A Family's Journey .....	343
Text Box 5: Development of a Non Family-Owned Business Group .....	375
Text Box 6: A Portrait of a Business Group in Decline .....	442
Text Box 7: An Independent Director's Perspective .....	483
Text Box 8: The Inner Sanctum - Issues and Conflicts .....	503
Text Box 9: A Tale of Two Australian Boards .....	510
Text Box 10: Helping SMEs - An External Consultant's Account .....	522
Text Box 11: Removal of SSS Commissioner Corazon De La Paz .....	583
Text Box 12: Why Corruption Matters to Investors (ICGN 2009: 5) .....	623
Text Box 13: The Breastmilk-Substitute/Powdered Milk Industry in the Philippines .....	626

## ABSTRACT

This research investigates the impact of corporate governance reforms in Philippine institutions and firms. Literature reviewed looks at the macro and micro view of corporate governance theories and the prevailing business environment. The methodology of this research applies an ethnographic approach combining both deductive and inductive inquiries with a triangulated method using interviews, media articles and participant observation. Collection of the interview data occurred over four intensive months whilst in situ in Manila, Philippines. The data was then analysed using the NVivo qualitative analysis computer program.

The results of my data collection and analysis are explained and distilled in six chapters. They are:

- Chapter 4: Business and Corporate Governance Environment
- Chapter 5: The Regulators
- Chapter 6: Business Groups: The Owners of Companies
- Chapter 7: The Board and Management: The Controllers of the Company
- Chapter 8: The Government Financial Institutions
- Chapter 9: Corruption

The thesis concludes with a chapter on a summary of the research findings and recommendations for policy and practice.

